

A. F. FERGUSON & CO.
Chartered Accountants
State Life Building 1-C
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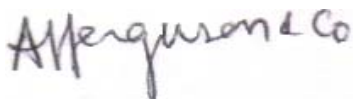
KPMG TASEER HADI & CO.
Chartered Accountants
Sheikh Sultan Trust
Building No. 2
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Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of United Bank Limited and its subsidiary companies (the Group) as at December 31, 2005 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 61 branches, which have been audited by us and 15 branches audited by auditors abroad. We have also expressed a separate opinion on the financial statements of United Bank Limited while the financial statements of subsidiary companies United National Bank Limited, United Bank AG (Zurich), United Executors and Trustees Company Limited, UBL Fund Managers Limited (formerly United Asset Management Company Limited) and United Bank Financial Services (Private) Limited were audited by other firms of Chartered Accountants and our opinion in so far as it relates to the amounts included for such companies, is based solely on the report of such auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us, based on 61 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of United Bank Limited and its subsidiary companies as at December 31, 2005 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



A. F. FERGUSON & CO.
Chartered Accountants
Karachi

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KPMG TASEER HADI & CO.
Chartered Accountants
Karachi

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Dated: February 24, 2006

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2005**

	Note	2005	2004
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	7	34,143,128	23,945,146
Balances with other banks	8	18,688,683	24,174,064
Lendings to financial institutions	9	17,867,552	18,360,633
Investments	10	61,558,826	52,707,729
Advances			
Performing	11	206,296,460	143,531,140
Non-performing	11	3,856,169	4,693,940
		210,152,629	148,225,080
Other assets	12	7,932,696	4,537,140
Fixed assets	13	5,439,818	5,103,654
Deferred tax asset - net	14	2,272,814	5,194,892
		358,056,146	282,248,338
LIABILITIES			
Bills payable	16	4,181,026	3,835,555
Borrowings from financial institutions	17	22,751,015	12,637,036
Deposits and other accounts	18	296,499,113	237,054,440
Sub-ordinated loans	19	3,999,192	3,500,000
Liabilities against assets subject to finance lease	20	4,345	3,306
Other liabilities	21	6,347,853	5,838,940
		333,782,544	262,869,277
NET ASSETS			
		24,273,602	19,379,061
REPRESENTED BY:			
Share capital	22	5,180,000	5,180,000
Reserves		6,820,234	5,980,448
Unappropriated profit		7,790,148	3,585,102
		19,790,382	14,745,550
Minority interest		1,561,005	1,633,352
		21,351,387	16,378,902
Surplus on revaluation of assets	23	2,922,215	3,000,159
		24,273,602	19,379,061
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 50 and annexures form an integral part of these consolidated financial statements.

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Atif R. Bokhari
President and
Chief Executive Officer

Ahmad Waqar
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005**

	Note	2005	2004
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,708,666	5,009,803
Less: Dividend income		(172,375)	(155,215)
Share of income of associate		(13,120)	-
		9,523,171	4,854,588
Adjustments for non-cash charges			
Depreciation		456,068	441,768
Amortization		23,381	5,152
Provision for retirement benefits		134,830	671,665
Provision against loans and advances		1,283,646	453,709
Provision / (reversals) for diminution in value of investments		112,666	(100,381)
Provision against off balance sheet items		239,171	-
Gain on sale of fixed assets		(13,246)	(25,930)
Finance charges on leased assets		233	2,966
Bad debts written-off directly		38,140	3,841
Unrealized (gain) / deficit on revaluation of held for trading investment portfolio		2,081	-
Provision / (reversals) against other assets		87,998	(47,504)
		2,364,968	1,405,286
		11,888,139	6,259,874
(Increase) / decrease in operating assets			
Lendings to financial institutions		493,081	4,735,395
Held for trading securities		987,572	5,989,905
Advances - net		(63,249,335)	(49,451,089)
Others assets (excluding advance tax)		(3,519,792)	(856,733)
		(65,288,474)	(39,582,522)
Increase / (decrease) in operating liabilities			
Bills payable		345,471	844,286
Borrowings from financial institutions		10,113,979	3,113,842
Deposits and other accounts		59,444,673	47,221,996
Other liabilities		(41,522)	(1,080,488)
		69,862,601	50,099,636
		16,462,266	16,776,988
Staff retirement benefits paid		(122,849)	(279,899)
Income tax paid		(337,000)	(339,522)
Net cash flows from operating activities		16,002,417	16,157,567
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in securities		(9,957,459)	(5,055,249)
Dividend received		259,937	66,308
Investments in fixed assets		(823,803)	(1,700,059)
Proceeds from sale of fixed assets		23,317	60,405
Net cash flows from investing activities		(10,498,008)	(6,628,595)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of sub-ordinated loan		500,000	3,500,000
Repayment of principal of sub-ordinated loan		(808)	-
Dividend paid		(777,000)	(1,165,500)
Payment of lease obligations		(1,075)	(39,655)
Net cash flows from financing activities		(278,883)	2,294,845
Exchange adjustment on translation of net assets attributable to minority shareholders		(162,905)	176,543
Exchange differences on translation of net investment in foreign branches and subsidiaries		(350,020)	527,570
Increase in cash and cash equivalents during the year		4,712,601	12,527,930
Cash and cash equivalents at beginning of the year		48,119,210	35,591,280
Cash and cash equivalents at end of the year	34	52,831,811	48,119,210

The annexed notes 1 to 50 and annexures form an integral part of these consolidated financial statements.

KPMGTHA & Co

Atif R. Bokhari
President and
Chief Executive Officer

Atif R. Bokhari
Director

Sir Mohammed Anwar Pervez, UBE, FIC
Deputy Chairman

Nayanji Mubarak Ali
Chairman

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

	Attributable to the shareholders of the Bank						Minority interest	Total
	Share Capital	General Reserve	Statutory Reserve	Exchange Translation Reserve	Unappropriated Profit	Sub total		
	(Rupees in '000)							
Balance as at December 31, 2003	5,180,000	3,000	3,212,130	1,497,439	1,619,903	11,512,472	1,412,932	12,925,404
Final dividend for the year ended December 31, 2003	-	-	-	-	(1,165,500)	(1,165,500)	-	(1,165,500)
Profit after taxation for the year ended December 31, 2004	-	-	-	-	3,776,794	3,776,794	43,877	3,820,671
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	94,214	94,214	-	94,214
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	527,570	-	527,570	176,543	704,113
Transfer to statutory reserve	-	-	740,309	-	(740,309)	-	-	-
Balance as at December 31, 2004	<u>5,180,000</u>	<u>3,000</u>	<u>3,952,439</u>	<u>2,025,009</u>	<u>3,585,102</u>	<u>14,745,550</u>	<u>1,633,352</u>	<u>16,378,902</u>
Final dividend for the year ended December 31, 2004	-	-	-	-	(777,000)	(777,000)	-	(777,000)
Profit after taxation for the year ended December 31, 2005	-	-	-	-	6,077,704	6,077,704	90,558	6,168,262
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	94,148	94,148	-	94,148
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	(350,020)	-	(350,020)	(162,905)	(512,925)
Transfer to statutory reserve	-	-	1,189,806	-	(1,189,806)	-	-	-
Balance as at December 31, 2005	<u>5,180,000</u>	<u>3,000</u>	<u>5,142,245</u>	<u>1,674,989</u>	<u>7,790,148</u>	<u>19,790,382</u>	<u>1,561,005</u>	<u>21,351,387</u>

Appropriations made by the directors subsequent to the year ended December 31, 2005 are disclosed in note 48 of these financial statements.

The annexed notes 1 to 50 and annexures form an integral part of these consolidated financial statements.

KPMG THAKK & Co

Atif R. Bokhari
President and
Chief Executive Officer

Ahmad Waqar
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahay
Chairman



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

United Bank Limited, Pakistan (the Bank)

Subsidiary Companies

- United National Bank Limited (UNBL), United Kingdom
- United Bank AG Zurich, Switzerland
- United Executors and Trustees Company Limited, Pakistan
- United Bank Financial Services (Private) Limited, Pakistan
- UBL Fund Managers Limited (formerly United Asset Management Company Limited), Pakistan

The Group is engaged in commercial banking, modaraba management, asset management, mutual funds and trustee services.

United Bank Limited (UBL) - is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all three Stock Exchanges in Pakistan. The Bank's registered office and principal office is situated at State Life Building No. 1, I. I. Chundrigar Road, Karachi. The Bank operates 1,043 (2004: 1,057) branches inside Pakistan including the Karachi Export Processing Zone Branch (KEPZ) and 15 (2004: 15) branches outside Pakistan.

1.2 The minority interest represents National Bank of Pakistan's 45% share in the net asset value of UNBL.

2. BASIS OF CONSOLIDATION

- The consolidated financial statements include the financial statements of UBL - Holding Company and its subsidiary companies and associates - "the Group".
- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group and are excluded from consolidation from the date of disposal.
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Bank.
- Material intra-group balances and transactions have been eliminated.

3. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by Bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

4. STATEMENT OF COMPLIANCE

- 4.1** These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- 4.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

5. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under historical cost convention except that certain assets have been stated at revalued amounts, certain investments have been stated at market value, derivative financial instruments have been marked to market, assets and liabilities of foreign branches and subsidiaries are translated at year-end rates of exchange and certain staff retirement benefits have been carried at present value.

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are disclosed in note 6.14 to these consolidated financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated cash flow statement represents cash and balances with treasury banks, balances with other banks in current and deposit accounts.

6.2 Lendings to / borrowings from financial institutions

The Group enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

(a) Sale under repurchase agreements

Securities sold subject to a re-purchase agreement (repo) are retained in the consolidated financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

(b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the agreement and recorded as income.

Securities borrowed are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with gain or loss included in trading income. The obligations to return them is recorded at fair values as a trading liability under Borrowings from financial institutions.

6.3 Investments

The Group classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

(c) Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

(d) Associates

Associates are all entities over which the Group has a significant influence but not control. Investment in associates are accounted for by the equity method of accounting and are initially recognized at cost, thereafter for the post acquisition change in the investor's share of net assets of the investee. Share of profit and loss of associates is accounted for in the consolidated profit and loss account.

Investments in associates where the group has significant influence are accounted for using the equity method of accounting.

Investments are initially recognized at cost which includes transaction costs associated with the investment.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the bank commits to purchase or sell the investment.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005

In accordance with the requirements of the State Bank of Pakistan quoted securities, other than those classified as 'held to maturity', are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Provision for diminution in the values of securities (except debentures, participation term certificates and term finance certificates) is made after considering permanent impairment, if any, in their value. Provisions for diminution in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Profit and loss on sale of investments is included in income currently.

6.4 Advances

Advances are stated net of specific and general provisions. Specific provision against domestic advances is determined on the basis of Prudential Regulations and other directives issued by the State Bank of Pakistan and charged to the profit and loss account. General provision against consumer loans is made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. General and specific provisions pertaining to overseas advances are made to meet the requirements of monetary agencies and regulatory authorities of respective countries. Advances are written off when there is no realistic prospect of recovery.

6.5 Fixed assets and depreciation

Owned

Property and equipment, other than free hold land which is not depreciated and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount. Capital work-in-progress is stated at cost. Cost of property and equipment of foreign branches and subsidiaries includes exchange difference arising on currency translation at year-end rates of exchange.

Depreciation is calculated so as to write off the assets over their expected economic lives at rates specified in note 13 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any, and methods depending on the nature of the asset and the country of its location. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. No depreciation is charged on freehold land.

Depreciation on additions is charged from the month the asset is available for use and on disposals upto the month of disposal.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

Gains and losses on sale of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

Leased

Assets held under finance lease are stated at lower of fair value or present value of minimum lease payments at inception less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

The intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for permanent diminution in the value of assets, if any. Gains and losses on disposals, if any are taken to the consolidated profit and loss account.

6.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the consolidated profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.7 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned from local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year at enacted rates. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Group also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of the revised International Accounting Standard (IAS) 12 dealing with Income Taxes.

6.8 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

6.9 Staff retirement and other benefits

6.9.1 Staff retirement benefit schemes

United Bank Limited (UBL)

- a) The Bank operates the following staff retirement schemes for its employees
 - approved funded pension scheme, introduced in 1986 (defined benefit scheme); and
 - approved non-contributory provident fund in lieu of the contributory provident fund.
- b) For new employees and for those who opted for new scheme introduced in 1991, the bank operates
 - approved contributory provident fund (defined contribution scheme); and
 - approved gratuity scheme (defined benefit scheme).

In the year 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under scheme (a) above to scheme (b). This option ceased on December 31, 2003.

The Bank also operates a contributory benevolent fund for all its employees (defined benefit scheme).

Annual contributions towards the defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

United National Bank Limited (UNBL)

UNBL operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members. The assets of the scheme are held separately from those of UNBL in independently administered funds. Pension costs are assessed in accordance with the advice of the independent qualified actuary to recognize the cost of pensions on a systematic basis over employees' service lives.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

For defined contribution schemes, the amount charged to the profit and loss account is the contribution payable in the year. Difference between the contribution payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

UBL Fund Managers Limited (UFML)

Defined benefit plan

UFML operates a gratuity fund covering eligible employees whose period of employment with UFML is three years or more. A provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits, irrespective of the qualifying period. Gratuity, however, is payable only on completion of the prescribed qualifying period of service. Actuarial gains and losses are recognised in accordance with the recommendation of the actuary.

Defined contribution plan

UFML operates a provident fund covering all permanent employees. Equal contributions are made to the Fund by the UFML and the employees in accordance with the rules of the scheme. However, UFML's contribution starts after completion of one year of service.

6.9.2 Other benefits

- a) Employees' compensated absences

The Bank provides for compensated vested and non-vested absences accumulated by its employees on the basis of actuarial advice under the Projected Unit Credit Method.

- b) Post retirement medical benefits (defined benefit scheme)

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefit on the basis of actuarial advice under the Projected Unit Credit Method.

6.10 Revenue Recognition

Mark-up / return / interest income on performing advances and investments is recognized on accrual basis over the term of loans and advances. Where debt securities are purchased at premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining period of maturity.

Interest or mark-up recoverable on non performing advances and classified investments is recognized on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan or overseas regulatory authorities of countries where the branches and subsidiaries operate, except where in the opinion of the management, it would not be prudent to do so.

Dividend income is recognized when the right to receive the dividend is established.

Fees, brokerage and commission on letters of credit / guarantee and others are recognized on accrual basis.

6.11 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

6.12 Foreign Currencies

a) Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date except that certain deposits, which are covered by forward foreign exchange contracts, are translated at contracted rates. Forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

b) Foreign operations

The assets and liabilities of foreign operations are translated to rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at the average rate of exchange for the year.

c) Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign branches and subsidiaries which are taken to capital reserve (Exchange Translation Reserve).

d) Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of transaction.

6.13 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.14 Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

- i) classification of investments (notes 6.3 and 10)
- ii) provision against investments (notes 6.3 and 10) and advances (notes 6.4 and 11.3)
- iii) income taxes (notes 6.7, 32 and 21.1)
- iv) staff retirement benefits (note 36)
- v) fair value of derivatives (note 21.3)

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	Note	2005	2004
(Rupees in '000)			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		4,606,028	3,785,931
Foreign currency		1,174,970	1,042,880
		5,780,998	4,828,811
With State Bank of Pakistan in			
Local currency current account		13,032,322	12,153,975
Local currency deposit account	7.1	3,864	3,864
Foreign currency deposit account	7.1	2,556,535	1,625,303
		15,592,721	13,783,142
With other central banks in foreign currency current account	7.2	9,155,206	3,605,018
With National Bank of Pakistan in local currency current account		3,571,650	1,681,685
National Prize Bonds		42,553	46,490
		<u>34,143,128</u>	<u>23,945,146</u>

7.1 Deposits with State Bank of Pakistan are maintained to comply with the statutory requirements issued from time to time.

7.2 Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.

	Note	2005	2004
(Rupees in '000)			
8. BALANCES WITH OTHER BANKS			
Outside Pakistan			
In current accounts		5,426,508	1,372,184
In deposit accounts		13,262,175	22,801,880
		<u>18,688,683</u>	<u>24,174,064</u>

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	9.1	1,199,534	1,876,465
Repurchase agreement lendings	9.2	11,769,693	8,011,490
Lendings to banks / financial institutions		4,898,325	8,472,678
		<u>17,867,552</u>	<u>18,360,633</u>

9.1 These carry mark-up at rates ranging from 1% to 12.75% per annum (2004: 2.5% to 6.1% per annum).

9.2 Securities held as collateral against lendings to financial institutions

	2005			2004		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
(Rupees in '000)						
Market Treasury Bills	8,019,693	-	8,019,693	2,936,904	491,586	3,428,490
Pakistan Investment Bonds	2,180,000	1,570,000	3,750,000	4,583,000	-	4,583,000
	<u>10,199,693</u>	<u>1,570,000</u>	<u>11,769,693</u>	<u>7,519,904</u>	<u>491,586</u>	<u>8,011,490</u>

These carry mark-up at rates ranging from 3.5% to 8.75% per annum (2004: 1.25% to 6.5% per annum).

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	Note	2005			2004		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
							(Rupees in '000)
10. INVESTMENTS							
10.1 Investments by types							
Held for trading							
Market Treasury Bills		600,734	460,807	1,061,541	1,340,956	1,045,006	2,385,962
Ordinary shares of listed companies		460,770	-	460,770	-	-	-
Term Finance Certificates		-	-	-	122,950	-	122,950
Pakistan Investment Bonds		-	-	-	971	-	971
		1,061,504	460,807	1,522,311	1,464,877	1,045,006	2,509,883
Available for sale							
Market Treasury Bills		16,004,567	3,898,511	19,903,078	13,893,796	1,097,647	14,991,443
Ordinary shares of listed companies		1,680,335	-	1,680,335	758,198	-	758,198
Pakistan Investment Bonds		1,317,980	205,469	1,523,449	4,072,246	-	4,072,246
Government of Pakistan Islamic Bonds		833,386	-	833,386	-	-	-
Term Finance Certificates		749,171	-	749,171	341,960	-	341,960
Foreign securities		620,301	-	620,301	35,343	-	35,343
Ordinary shares of unlisted companies		432,680	-	432,680	303,392	-	303,392
Euro Bonds		279,575	-	279,575	1,403,469	-	1,403,469
Units of mutual funds		582,779	-	582,779	350,000	-	350,000
		22,500,774	4,103,980	26,604,754	21,158,404	1,097,647	22,256,051
Held to maturity							
Term Finance Certificates		8,666,380	-	8,666,380	8,305,766	-	8,305,766
Market Treasury Bills		4,830,400	3,595,482	8,425,882	-	-	-
Pakistan Investment Bonds		5,331,699	335,502	5,667,201	3,837,791	2,091,533	5,929,324
CIRC bonds		4,054,883	-	4,054,883	4,054,883	-	4,054,883
Government of Pakistan - Guaranteed bonds		4,039,971	-	4,039,971	5,699,540	-	5,699,540
Foreign currency bonds		1,694,788	-	1,694,788	2,024,073	-	2,024,073
Foreign securities		577,277	-	577,277	1,679,600	-	1,679,600
Debentures		169,351	-	169,351	176,277	-	176,277
Participation Term Certificates		70,087	-	70,087	77,267	-	77,267
CDC SAARC Fund		65,501	-	65,501	124,144	-	124,144
Federal Investment Bonds		32,725	-	32,725	45,026	-	45,026
Cumulative preference shares		8,120	-	8,120	8,120	-	8,120
Provincial Government Securities		1,207	-	1,207	1,207	-	1,207
		29,542,389	3,930,984	33,473,373	26,033,694	2,091,533	28,125,227
Associates							
United Growth and Income Fund	10.6	263,120	-	263,120	-	-	-
Oman United Exchange Company, Muscat		6,981	-	6,981	15,436	-	15,436
		270,101	-	270,101	15,436	-	15,436
		53,374,768	8,495,771	61,870,539	48,672,411	4,234,186	52,906,597
Provision for diminution in value of investments	10.3	(634,002)	-	(634,002)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of available for sale investments	23.2	322,591	736	323,327	341,121	(631)	340,490
(Deficit) / surplus on revaluation of held for trading investments		(1,328)	290	(1,038)	1,069	(25)	1,044
Investments (net of provisions)		53,062,029	8,496,797	61,558,826	48,474,199	4,233,530	52,707,729

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	Note	2005	2004
		(Rupees in '000)	
10.2 Investments by segments			
Federal Government Securities			
Market Treasury Bills		29,193,297	17,377,405
Pakistan Investment Bonds		7,190,650	10,002,541
Foreign currency bonds		1,694,788	2,024,073
Government of Pakistan Islamic Bonds		833,386	-
Government of Pakistan - US Dollar / Euro bonds		279,575	1,403,469
Federal Investment Bonds		32,725	45,026
		39,224,421	30,852,514
Provincial Government Securities		1,207	1,207
Overseas Governments' Securities			
Foreign securities		933,346	1,456,817
Market Treasury Bills		197,204	96,317
		1,130,550	1,553,134
Other Overseas Securities			
Foreign securities		264,233	161,809
CDC SAARC fund		65,501	124,144
		329,734	285,953
Fully Paid-up Ordinary Shares			
Listed companies		2,141,105	758,198
Cumulative preference shares		8,120	8,120
Unlisted companies		432,680	303,392
		2,581,905	1,069,710
Units of mutual funds		582,779	350,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
Term Finance Certificates			
Unlisted		8,332,720	8,128,472
Listed		1,082,830	642,204
		9,415,550	8,770,676
Bonds		8,094,854	9,754,423
Debentures		169,351	176,277
Participation Term Certificates		70,087	77,267
		17,749,842	18,778,643
Investments in associates		270,101	15,436
		61,870,539	52,906,597
Provision for diminution in the value of investments	10.3	(634,002)	(540,402)
Surplus on revaluation of available for sale investments	23.2	323,327	340,490
(Deficit) / Surplus on revaluation of held for trading investments		(1,038)	1,044
Investments (net of provisions)		61,558,826	52,707,729

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	2005	2004
	(Rupees in '000)	
10.3 Particulars of provision for diminution in value of investments		
Opening balance	540,402	640,229
Exchange adjustment	-	3,970
Charged during the year	112,666	-
Reversed during the year	-	(100,381)
Transfers	4,355	17,011
Written off during the year	(23,421)	(20,427)
Closing balance	<u>634,002</u>	<u>540,402</u>

10.4 Investments include Rs. 282 million (2004: Rs. 282 million) held by the State Bank of Pakistan and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2004: 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

10.5 Information relating to investments in shares of listed and unlisted companies, redeemable capital, debentures and bonds, required to be disclosed as part of the consolidated financial statements under State Bank of Pakistan's BSD Circular No. 36 dated October 10, 2001, is given in Annexure 'A'.

	2005	2004
	(Rupees in '000)	
10.6 Investment in associates - United Growth and Income Fund		
Acquisitions during the year	250,000	-
Share of profit	13,120	-
Dividend distribution	-	-
Balance as at December 31	<u>263,120</u>	<u>-</u>

10.6.1 United Growth and Income Fund (the Fund) is an open ended mutual fund and presently it is unlisted, all the units are held by the Group (representing seed capital). Arrangements are being made for its listing under which the Funds will offer units for public subscription on a continuous basis. Accordingly, the Group's investment in the Fund is treated as investment in associates.

10.6.2 The details of assets, liabilities, revenue and profit of the fund are as follows:

	Assets	Liabilities	Revenue	Profits
	(Rupees in '000)			
United Growth and Income Fund	<u>264,270</u>	<u>1,150</u>	<u>15,583</u>	<u>13,120</u>

Note	Performing		Non-performing	
	2005	2004	2005	2004
	(Rupees in '000)			

11. ADVANCES
Loans, cash credits, running finances, etc.

In Pakistan	169,599,106	113,521,983	9,831,330	11,827,862
Outside Pakistan	26,302,862	16,715,680	5,942,046	6,590,823
	<u>195,901,968</u>	<u>130,237,663</u>	<u>15,773,376</u>	<u>18,418,685</u>

**Bills discounted and purchased
(excluding government treasury bills)**

Payable in Pakistan	2,686,883	3,871,559	417,400	286,514
Payable outside Pakistan	7,837,933	8,412,767	1,171,427	1,836,086
	<u>10,524,816</u>	<u>12,284,326</u>	<u>1,588,827</u>	<u>2,122,600</u>
	<u>206,426,784</u>	<u>142,521,989</u>	<u>17,362,203</u>	<u>20,541,285</u>

**Financing in respect of Continuous
Funding System (CFS)**

	1,094,002	1,327,542	-	-
	<u>207,520,786</u>	<u>143,849,531</u>	<u>17,362,203</u>	<u>20,541,285</u>

Provision against advances				
- Specific	11.3	-	(13,506,034)	(15,847,345)
- General	11.3	(1,224,326)	(318,391)	-
		<u>206,296,460</u>	<u>143,531,140</u>	<u>3,856,169</u>
		<u>206,296,460</u>	<u>143,531,140</u>	<u>4,693,940</u>

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11.1 Particulars of advances

	Performing		Non-performing	
	2005	2004	2005	2004
	----- (Rupees in '000) -----			
11.1.1 In local currency	172,680,571	118,616,693	3,502,704	4,236,710
In foreign currency	33,615,889	24,914,447	353,465	457,230
	<u>206,296,460</u>	<u>143,531,140</u>	<u>3,856,169</u>	<u>4,693,940</u>
11.1.2 Short term	132,847,233	91,198,907	-	-
Long term	73,449,227	52,332,233	3,856,169	4,693,940
	<u>206,296,460</u>	<u>143,531,140</u>	<u>3,856,169</u>	<u>4,693,940</u>

11.1.3 During the year, the State Bank of Pakistan has revised the basis of classification of non-performing Corporate, Consumer and SME loans and advances vide BSD Circular No. 7 dated November 1, 2005. Under the revised guidelines the category of Other Assets Especially Mentioned (OAEM) has been dispensed with while the categories of substandard, doubtful and loss have been retained. In addition, the basis of classification of loans and advances under these three categories has been redefined whereby all advances overdue by 90, 180 and 365 days are now required to be classified as substandard, doubtful and loss respectively. Previously, short-term and long-term advances were required to be separately assessed and were classified as OAEM, substandard, doubtful or loss based on different prescribed ageing criteria. The revised guidelines specify that provision should be made in the financial statements equal to 25 percent, 50 percent and 100 percent, in respect of overdue advances classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets.

The revised guidelines further specify that the benefit of forced sales valuations will not be available for non-performing financing facilities of less than Rs. 5 million.

In accordance with BSD Circular No. 2 dated January 14, 2006 the SBP has subsequently allowed banks to meet the provisioning requirement of 25 percent against substandard category in a phased manner, i.e. 10 percent from December 31, 2005 and 25 percent from December 31, 2006. However, as a matter of prudence the bank has opted to meet the provisioning requirement of 25 percent against substandard category with effect from December 31, 2005 resulting in an additional provision of Rs. 56.177 million.

Had the provision against non-performing loans and advances been determined in accordance with the previous requirement of the State Bank of Pakistan, the specific provision against non-performing loans and advances would have been lower and consequently profit before taxation and advances (net of provision) as at December 31, 2005 would have been higher by approximately Rs. 395.937 million.

11.1.4 The State Bank of Pakistan has issued Prudential Regulations for Agriculture Finance during the current year vide BPD Circular No. 27 dated October 22, 2005. These regulations require agricultural advances overdue by 90 days, one year, one and a half years and two years to be classified as OAEM, substandard, doubtful and loss respectively. In addition, these regulations specify that provision should be made in the financial statements equal to 20 percent, 50 percent and 100 percent, in respect of overdue agricultural advances classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets. No provision is required to be made against the outstanding balance of principal relating to overdue agriculture advances classified as OAEM. Previously, provision was determined in respect of non-performing agriculture advances in accordance with the guidelines given in the Prudential Regulations for Corporate / Commercial banking.

Had the provision against agriculture advances been determined in accordance with the Prudential Regulations for Corporate / Commercial banking, the specific provision against non performing agriculture advances would have been higher, and consequently the profit before taxation and advances (net of provision) would have been lower by approximately Rs. 68.961 million.

11.1.5 Non-performing advances include:

- Advances having Gross Book Value of Rs. 298.568 million (2004:Rs. 509.533 million) and Net Book Value of Rs. 284.115 million (2004: Rs. 458.225 million) though restructured and performing have been placed in the non-performing status as required by the revised Prudential Regulations issued by the State Bank of Pakistan, which requires monitoring for at least one year before any upgradation is considered.

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11.2 Advances include Rs. 17,362 million (2004: Rs. 20,541 million) which have been placed under non-performing status as detailed below:-

Category of Classification

	2005			Specific provision required	Specific provision held
	Domestic	Overseas	Total		
	(Rupees in '000)				
Other Assets Especially Mentioned *	257,811	-	257,811	-	-
Substandard	997,226	50,087	1,047,313	123,552	123,552
Doubtful	687,047	143,913	830,960	167,720	167,720
Loss	8,306,645	6,517,635	14,824,280	13,010,718	13,010,718
	<u>10,248,729</u>	<u>6,711,635</u>	<u>16,960,364</u>	<u>13,301,990</u>	<u>13,301,990</u>
Subsidiary companies	-	401,839	401,839	204,044	204,044
	<u>10,248,729</u>	<u>7,113,474</u>	<u>17,362,203</u>	<u>13,506,034</u>	<u>13,506,034</u>

* The Other Assets Especially Mentioned category pertains to agricultural finance only.

Category of Classification

	2004			Specific provision required	Specific provision held
	Domestic	Overseas	Total		
	(Rupees in '000)				
Other Assets Especially Mentioned	1,365,330	120,072	1,485,402	-	-
Substandard	303,643	29,417	333,060	23,803	23,803
Doubtful	386,312	10,422	396,734	19,871	19,871
Loss	10,533,320	7,354,817	17,888,137	15,578,043	15,578,043
	<u>12,588,605</u>	<u>7,514,728</u>	<u>20,103,333</u>	<u>15,621,717</u>	<u>15,621,717</u>
Subsidiary companies	-	437,952	437,952	225,628	225,628
	<u>12,588,605</u>	<u>7,952,680</u>	<u>20,541,285</u>	<u>15,847,345</u>	<u>15,847,345</u>

11.3 Particulars of provision against advances

	Note	2005			2004		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		15,847,345	318,391	16,165,736	15,506,038	159,417	15,665,455
Exchange adjustments		(3,070)	(6,094)	(9,164)	310,516	9,274	319,790
Charge for the year		904,947	662,857	1,567,804	544,222	149,700	693,922
Reversal		(284,158)	-	(284,158)	(240,214)	-	(240,214)
		620,789	662,857	1,283,646	304,008	149,700	453,708
Transfers		(295,036)	272,958	(22,078)	259,695	-	259,695
Written off during the year	11.4	(2,663,994)	(23,786)	(2,687,780)	(532,912)	-	(532,912)
Closing balance		<u>13,506,034</u>	<u>1,224,326</u>	<u>14,730,360</u>	<u>15,847,345</u>	<u>318,391</u>	<u>16,165,736</u>

11.3.1 General provision represents provision amounting to Rs. 699.420 million (2004: Rs. 104.390 million) against consumer finance portfolio as required by the Prudential Regulations for Consumer Finance issued by State Bank of Pakistan and Rs. 524.906 million (2004: Rs. 214.001 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries.

	Note	2005 (Rupees in '000)	2004 (Rupees in '000)
11.4 Particulars of write-offs			
Against provisions	11.3	2,687,780	532,912
Directly charged to profit and loss account		38,140	3,841
		<u>2,725,920</u>	<u>536,753</u>
Write-offs of Rs. 500,000 and above	11.5	1,233,732	311,706
Write-offs of below Rs. 500,000		1,492,188	225,047
		<u>2,725,920</u>	<u>536,753</u>

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11.5 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2005 is given in Annexure-B to these consolidated financial statements.

These loans are written off as a book entry without prejudice to the Bank's right of recovery against the customers.

11.6 Particulars of loans and advances to executives, directors, associated companies etc.	Balance as at December 31, 2005	Maximum amount of advances granted during the year
	(Rupees in '000)	
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons	471,621	595,772
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private, companies as members	1,818,141	4,406,861

12. OTHER ASSETS	Note	2005	2004
		(Rupees in '000)	
Income / return / mark-up accrued in local currency		7,622,512	6,995,502
Income / return / mark-up accrued in foreign currency		2,838,916	3,107,693
		10,461,428	10,103,195
Suspense accounts		457,946	440,390
Hajj Refund		826,068	132,901
Stationery and stamps on hand		79,524	62,240
Advances, deposits, advance rent and other prepayments		711,664	491,298
Receivable from staff retirement funds		847,042	763,111
Due from other banks against telegraphic and demand drafts		95,468	81,288
Unrealized gain on forward foreign exchange contracts		120,544	62,998
Unrealized gain on sale of securities not yet purchased		41,726	-
Taxes recoverable		-	32,607
Others		813,586	374,517
		14,454,996	12,544,545
Provision held against other assets	12.1	(2,280,212)	(3,052,803)
Unrealized mark-up held in suspense account		(4,242,088)	(4,954,602)
		7,932,696	4,537,140
12.1 Provision against other assets			
Opening balance		3,052,803	3,299,708
Exchange adjustments		230	4,415
Charge for the year		87,998	14,196
Reversals		-	(61,700)
		87,998	(47,504)
Transfer		49,028	19,881
Amounts written off		(909,847)	(223,697)
Closing balance		2,280,212	3,052,803
13. FIXED ASSETS			
Property and equipment	13.1	4,939,180	4,820,973
Intangible assets	13.2	113,786	38,278
Capital work-in-progress		386,852	244,403
		5,439,818	5,103,654

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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13.1 Property and equipment

----- 2005 -----											
COST					ACCUMULATED DEPRECIATION					Net book value at December 31, 2005	Annual rate of depreciation
At January 1, 2005	Additions/ (deletions)	Revaluation adjustment/ revaluation surplus/ (deficit)	Other adjustments*	At December 31, 2005	At January 1, 2005	Charge for the year/ (depreciation on deletion)	Reversal due to revaluation / other adjustments*	At December 31, 2005			
(Rupees in '000)											
Owned											
Freehold land	408,194	-	-	-	408,194	-	-	-	-	408,194	-
Leasehold land	2,285,608	-	-	(11,602)	2,274,006	151,209	90,082	(48,903)	192,388	2,081,618	1 - 3.33
Buildings on freehold land	1,142,068	6,233	-	(64,999)	973,175	22,158	15,106	(5,428)	29,880	943,295	5
Buildings on leasehold land	460,737	104,420	-	223	565,380	72,042	33,709	(9,595)	96,156	469,224	5
Furniture and fixtures	523,777	63,325 (6,694)	-	36,609 (302)	616,715	459,934	35,618 (5,645)	(70,544) (245)	419,118	197,597	10
Electrical, office and computer equipment	1,414,136	328,945 (13,715)	-	(53,709) (12,457)	1,663,200	837,922	250,385 (13,510)	(51,184) (8,565)	1,015,048	648,152	20-25
Vehicles	329,850	121,796 (34,569)	-	(33,572) (364)	383,141	204,179	30,266 (25,752)	(11,958) (227)	196,508	186,633	20
Assets held under finance lease											
Vehicles	5,367	1,881	-	(2,215)	5,033	1,320	552	(1,326) 20	566	4,467	20
	6,569,737	626,600 (54,978)	-	(252,515)	6,888,844	1,748,764	455,718 (44,907)	(209,931) 20	1,949,664	4,939,180	
----- 2004 -----											
COST					ACCUMULATED DEPRECIATION					Net book value at December 31, 2004	Annual rate of depreciation
At January 1, 2004	Additions/ (deletions)	Revaluation adjustment/ revaluation surplus/ (deficit)	Other adjustments*	At December 31, 2004	At January 1, 2004	Charge for the year/ (depreciation on deletion)	Reversal due to revaluation / other adjustments*	At December 31, 2004			
(Rupees in '000)											
Owned											
Freehold land	404,384	-	-	3,810	408,194	-	-	-	-	408,194	-
Leasehold land	2,266,357	10,456	-	8,795	2,285,608	-	90,495	60,714	151,209	2,134,399	1 - 3.33
Buildings on freehold land	119,109	1,035,012 (19,316)	-	7,263	1,142,068	2,446	19,413 (1,168)	1,467	22,158	1,119,910	5
Buildings on leasehold land	386,771	9,466	-	64,500	460,737	4,536	31,964	35,542	72,042	388,695	5
Furniture and fixtures	589,283	31,370 (2,240)	-	(94,636)	523,777	516,808	34,900 (1,484)	(90,290)	459,934	63,843	10
Electrical, office and computer equipment	1,106,381	369,356 (55,101)	-	(6,500)	1,414,136	728,219	211,879 (41,226)	(60,950)	837,922	576,214	20-30
Vehicles	227,807	37,218 (8,253)	-	73,078	329,850	129,501	47,490 (6,557)	33,745	204,179	125,671	20
Assets held under finance lease											
Vehicles	118,026	3,152	-	(115,811)	5,367	65,468	5,627	(69,775)	1,320	4,047	20
	5,218,118	1,496,030 (84,910)	-	(59,501)	6,569,737	1,446,978	441,768 (50,435)	(89,547)	1,748,764	4,820,973	

* This represents write - off / reclassification of fixed assets based on an exercise being carried out by the management of the Bank to reconcile their subsidiary records of fixed assets with the ledger balances. This exercise is expected to be completed shortly.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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13.2 Intangible assets

----- 2005 -----										
COST				ACCUMULATED AMORTIZATION				Net book value at December 31, 2005	Annual rate of amortization	
At January 1, 2005	Additions/ (deletions)	Other adjustments	At December 31, 2005	At January 1, 2005	Charge for the year/ (amortization on deletion)	Other adjustments	At December 31, 2005			
(Rupees in '000)										
Software	48,271	99,239	-	147,510	9,993	23,731	-	33,724	113,786	25

----- 2004 -----										
COST				ACCUMULATED AMORTIZATION				Net book value at December 31, 2004	Annual rate of amortization	
At January 1, 2004	Additions/ (deletions)	Other adjustments	At December 31, 2004	At January 1, 2004	Charge for the year/ (amortization on deletion)	Other adjustments	At December 31, 2004			
(Rupees in '000)										
Software	8,698	39,573	-	48,271	4,841	5,152	-	9,993	38,278	25

13.3 Revaluation of domestic properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2003. The last revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited and M/s. Consultancy Support Services on the basis of professional assessment of present market values and resulted in a surplus of Rs. 991 million. Had there been no revaluation, the carrying amount of revalued assets of the Bank would have been as follows:

		(Rupees in '000)
	Freehold land	4,454
	Leasehold land	25,510
	Buildings on leasehold land	330,114
	Buildings on freehold land	13,569
13.4	Carrying amount of temporarily idle property.	19,931
13.5	The gross carrying amount of fully depreciated assets that are still in use	
	Furniture & fixture	7,135
	Electrical office and computer equipments	116,060
	Vehicles	38,118

13.6 International Accounting Standard (IAS) 16, "Property, Plant and Equipment (revised 2003)" is applicable to financial statements covering annual periods beginning on or after January 1, 2005 and requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly, based on a review of the above, the management has revised their estimate in respect of residual value of vehicles to 20% of cost. Previously, residual value was considered as nil for vehicles.

The above revision has been accounted for as a change in accounting estimates in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of this change in accounting estimate has been recognized prospectively in the consolidated profit and loss account of the current year. Had there been no change in accounting estimate, the profit before taxation for the year and net book value of operating fixed assets as at year end would have been lower by Rs 23.094 million.

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13.7 Disposal of fixed assets during the year

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
------(Rupees in '000)-----						
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,694	5,645	1,049	1,072	Auction	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	13,245	13,120	125	454	Auction	Various
	60	6	54	27	Negotiation	Dynamic Business Machines
	148	148	-	5	Negotiation	Deputy Chief Executive Officer - UNBL
	261	235	26	-	Written off	
	13,714	13,509	205	486		
Vehicles						
Toyota Corolla	689	688	1	68	Retirement benefit	Miss Nighat Saeed (SVP)
Suzuki Khyber	279	278	1	-	Retirement benefit	M.Hamidullah (SVP)
Toyota Corolla	594	593	1	59	Retirement benefit	Masood Pervaiz (SVP)
Toyota Corolla	680	679	1	67	Retirement benefit	Qazi Nuzair ul Haq (SVP)
Toyota Corolla	610	609	1	-	Retirement benefit	Nasrullah Khokhar (SEVP)
Nissan Sunny	579	578	1	-	Retirement benefit	Rafiq Khatak (EVP)
Toyota Corolla	594	593	1	-	Retirement benefit	Azizullah Memon (SEVP)
Toyota Corolla	600	599	1	59	Retirement benefit	Fawzi Khawaja (EVP)
Toyota Corolla	629	628	1	66	Retirement benefit	Abdul Ghafar (SVP)
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000	1,042	72	970	1,042	Negotiation	Zeeshan Sanwar
Honda Civic	1,245	625	620	950	Insurance claim	Adamjee Insurance Company
Honda Civic	1,399	118	1,281	1,282	Insurance claim	Adamjee Insurance Company
Honda Civic	1,245	416	829	850	Employee benefit	Mansoor Khan (SEVP)
Honda Civic	1,120	338	782	783	Retirement benefit	Miss Rukhsana (SEVP)
Mercedes Benz	3,208	2,152	1,056	1,579	Negotiation	Mercedez Garage
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	20,057	16,787	3,269	14,954		
	34,570	25,753	8,817	21,759		
Total	54,978	44,907	10,071	23,317		

	Note	2005 (Rupees in '000)	2004
14. DEFERRED TAX ASSET - NET			
Deferred tax - net	14.1	<u>2,272,814</u>	<u>5,194,892</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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 DECEMBER 31, 2005**

	2005	2004
	(Rupees in '000)	
14.1 The balances of deferred taxation comprises:		
Deductible temporary differences:		
on recognized tax losses	1,511,888	4,599,000
on other deductible differences	805,508	677,717
	<u>2,317,396</u>	<u>5,276,717</u>
Taxable temporary differences on:		
surplus on revaluation of fixed assets	(64,267)	(68,143)
surplus on revaluation of investments	19,685	(13,682)
	<u>(44,582)</u>	<u>(81,825)</u>
	<u><u>2,272,814</u></u>	<u><u>5,194,892</u></u>

The Bank is allowed to carry forward its tax losses incurred during the financial years ended December 31, 1994 to December 31, 1999 for ten years in terms of Section 57 (2A) the Income Tax Ordinance, 2001. The bank has assessed brought forward losses to the extent of Rs 14,625 million available upto tax year 2005.

15. CONTINGENT ASSETS

There were no contingent assets as at the balance sheet date.

16. BILLS PAYABLE

In Pakistan	4,080,008	3,682,779
Outside Pakistan	101,018	152,776
	<u>4,181,026</u>	<u>3,835,555</u>

17. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	21,676,489	12,539,208
Outside Pakistan	1,074,526	97,828
	<u>22,751,015</u>	<u>12,637,036</u>

17.1 Particulars of borrowings from financial institutions

In local currency	21,676,489	12,539,208
In foreign currency	1,074,526	97,828
	<u>22,751,015</u>	<u>12,637,036</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	Note	2005	2004
		(Rupees in '000)	
17.2 Details of borrowings from financial institutions			
Secured			
Borrowings from the State Bank of Pakistan			
Export Refinance	17.3	7,453,261	5,988,377
Long term financing under export oriented project		303,410	-
Locally Manufactured Machinery refinance scheme		5,195	9,872
		7,761,866	5,998,249
Borrowings from financial institutions		-	17,830
Repurchase agreement borrowings	17.4	8,434,771	4,629,607
		16,196,637	10,645,686
Unsecured			
Call Borrowing	17.5	4,027,253	526,260
Overdrawn nostro accounts		118,689	269,303
Trading liabilities		1,479,852	750,000
Others		928,584	445,787
		6,554,378	1,991,350
		22,751,015	12,637,036

17.3 United Bank Limited has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP.

17.4 These carry mark-up at rates ranging from 6.50% to 8.45% (2004: 2.25% to 5.35%)per annum.

17.5 These carry mark-up at rates ranging from 1% to 9.25% (2004: 2.25% to 5.2%) per annum.

18. DEPOSITS AND OTHER ACCOUNTS
Customers

Fixed deposits	82,230,051	45,581,700
Savings deposits	124,033,403	119,884,807
Sundry deposits	4,148,275	3,161,327
Margin deposits	2,226,835	1,218,963
Current accounts - remunerative	1,891,832	744,493
Current accounts - non-remunerative	81,659,966	66,333,989
	296,190,362	236,925,279
Financial Institutions		
Remunerative deposits	26,157	-
Non-remunerative deposits	282,594	129,161
	308,751	129,161
	296,499,113	237,054,440

18.1 Particulars of deposits and other accounts

In local currency	235,690,501	190,334,868
In foreign currency	60,808,612	46,719,572
	296,499,113	237,054,440

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
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19. SUB-ORDINATED LOAN -UNSECURED

	Issue Date	Tenor	Rate	Maturity	Frequency	2005	2004
						(Rupees in '000)	
Term Finance Certificates - I	Aug-04	8 years	8.45%	2012 Aug	Semi Annual	1,999,232	2,000,000
Term Finance Certificates - II	Feb-05	8 years	9.49%	2013 Feb	Semi Annual	1,999,960	1,500,000
						<u>3,999,192</u>	<u>3,500,000</u>

These represents listed Term Finance Certificates (TFCs) issued by United Bank Limited in the year 2004 and 2005 having tenor of eight years. The liability of the bank is subordinated as to the payment of principal and profit to all other indebtedness of the bank (including deposits) and is not redeemable before maturity without approval of the State Bank of Pakistan.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with leasing companies for lease of vehicles. The rates of interest used as discounting factor ranges from 11.5% to 14% (2004: 8% to 8.5%) per annum. There is no financial restriction in the lease agreements. The amount of future minimum lease payments, present value of minimum lease payments and periods during which they become due are as follows:

	2005		
	Minimum lease payments	Finance charges for future period	Principal outstanding
	(Rupees in '000)		
Not later than one year	1,201	441	760
Later than one year and not later than five years	4,283	698	3,585
	<u>5,484</u>	<u>1,139</u>	<u>4,345</u>
	2004		
	Minimum lease payments	Finance charges for future period	Principal outstanding
	(Rupees in '000)		
Not later than one year	997	203	794
Later than one year and not later than five years	2,868	356	2,512
	<u>3,865</u>	<u>559</u>	<u>3,306</u>

At the end of lease period, the ownership of assets shall be transferred to the Group on payment of residual value. The cost of operating and maintaining the leased assets is borne by the Group. These are secured by demand promissory notes and security deposits and the vehicles which have been obtained under leasing arrangements.

21. OTHER LIABILITIES

	Note	2005	2004
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		1,775,186	818,789
Mark-up / return / interest payable in foreign currency		144,499	78,112
Accrued expenses		798,740	662,047
Branch adjustment account		38,015	1,459,558
Payable under severance scheme		37,060	47,222
Unearned commission		55,513	75,671
Provision for taxation	21.1	215,352	-
Provision for off-balance sheet obligations	21.2	612,939	370,544
Unrealized loss on derivative financial instruments - net	21.3	160,574	13,077
Deferred liabilities	21.4	2,287,551	2,191,180
Others		222,424	122,740
		<u>6,347,853</u>	<u>5,838,940</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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21.1 Provision for taxation

The income tax assessment of Untied Bank Limited for domestic branches have been finalized under normal law upto the assessment year 2002-2003 and tax year 2003 to 2005 under the provisions of section 120(1) of the Income Tax Ordinance, 2001. The case of the tax year 2003 was selected for audit under section 177 of the Income Tax Ordinance, 2001; the proceedings are pending before the taxation officer. In respect of Azad Kashmir Branches, assessment for the tax year 2003 and 2004 have been finalized in the light of agreement reached between the banks and Azad Kashmir Council in May 2005. The return for the tax year 2005 has also been filed as per the terms of the said agreement. Refunds determined as the result of the deemed assessment for the tax year 2004 amounting to Rs 301.139 million were received during the year.

		2005	2004
		(Rupees in '000)	
Opening balance		370,544	749,825
Charge / (reversal) during the year	30	239,171	-
Transfer during the year		3,224	(379,281)
		612,939	370,544

21.3 Derivative financial instruments - net

	2005		2004	
	Contract/ Notional amount	Fair values	Contract/ Notional amount	Fair values
	(Rupees in '000)			
Unrealized loss on:				
Interest rate swaps	7,826,415	156,272	2,840,000	6,546
Forward rate agreements	-	-	115,000	51
Equity futures	43,765	(2,125)	122,864	6,480
Forward purchase contracts of government securities	598,194	6,427	-	-
	8,468,374	160,574	3,077,864	13,077

21.4 Deferred liabilities

	2005	2004
	(Rupees in '000)	
Provision for post retirement medical benefit	1,154,400	1,076,874
Provision for gratuity	95,651	78,306
Provision for compensated absences	1,037,500	1,036,000
	2,287,551	2,191,180

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22. SHARE CAPITAL			2005	2004
			(Rupees in '000)	
22.1 Authorized capital				
	2005	2004		
	<u>1,030,000,000</u>	<u>1,030,000,000</u>	Ordinary shares of Rs 10 each	<u>10,300,000</u> <u>10,300,000</u>
22.2 Issued, subscribed and paid-up capital				
	Fully paid-up ordinary shares of Rs 10 each			
	2005	2004		
	<u>518,000,000</u>	<u>518,000,000</u>	Issued for cash	<u>5,180,000</u> <u>5,180,000</u>
22.3 Major shareholders (holding more than 5% of total paid-up capital)			2005	
			Number of	Percentage of
	Name of shareholder		shares held	shareholding
	State Bank of Pakistan		230,326,923	44.46%
	Abu Dhabi Group		132,090,000	25.50%
	Best Way Group		132,090,000	25.50%
			<u>494,506,923</u>	<u>95.46%</u>
			Note	
			2005	2004
			(Rupees in '000)	
23. SURPLUS ON REVALUATION OF ASSETS				
	Surplus arising on revaluation of assets - net of tax:			
	Fixed assets	23.1	2,579,203	2,673,351
	Securities	23.2	343,012	326,808
			<u>2,922,215</u>	<u>3,000,159</u>
23.1 Surplus on revaluation of fixed assets - net of tax				
	Surplus on revaluation of fixed assets at January 1,			2,741,494
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year			(94,148)
	Related deferred tax liability of incremental depreciation charged during the year			(3,876)
			<u>2,643,470</u>	<u>2,741,494</u>
	Less: Related deferred tax liability on:			
	Revaluation as on January 1,		68,143	72,325
	Incremental depreciation charged on related assets		(3,876)	(4,182)
			<u>64,267</u>	<u>68,143</u>
			<u>2,579,203</u>	<u>2,673,351</u>

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	2005	2004
	(Rupees in '000)	
23.2 Surplus / (deficit) on revaluation of securities		
Market Treasury Bills	(11,405)	(10,837)
Pakistan Investment bonds	(60,063)	60,512
Quoted securities	394,795	290,815
	323,327	340,490
Related deferred tax liability	19,685	(13,682)
	<u>343,012</u>	<u>326,808</u>
24. CONTINGENCIES AND COMMITMENTS		
24.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favoring		
Government	1,723,733	896,165
Banking companies and other financial institutions	775,064	1,428,103
Others	2,427,256	1,896,441
	4,926,053	4,220,709
24.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
Government	14,640,161	7,477,242
Banking companies and other financial institutions	785,981	201,946
Others	5,287,560	4,051,297
	20,713,702	11,730,485
24.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favoring		
Government	1,628,389	271,468
Banking companies and other financial institutions	693,229	216,960
Others	71,300,730	57,029,007
	73,622,348	57,517,435
24.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>6,054,243</u>	<u>6,115,838</u>
24.5 Commitments in respect of forward lending		
Commitments to extend credit	<u>17,102,265</u>	<u>1,759,776</u>
24.6 Commitments in respect of forward foreign exchange contracts		
Sale	<u>42,020,795</u>	<u>24,663,126</u>
Purchase	<u>38,156,440</u>	<u>21,497,190</u>

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	2005	2004
	(Rupees in '000)	
24.7 Other commitments		
Interest rate swaps	<u>7,826,415</u>	<u>2,840,000</u>
Forward purchase of Government securities	<u>598,194</u>	<u>-</u>
Forward rate agreements	<u>-</u>	<u>115,000</u>
Equity futures	<u>43,765</u>	<u>122,864</u>
Sale of securities not yet purchased	<u>1,479,279</u>	<u>750,000</u>
Commitments in respect of capital expenditures	<u>217,112</u>	<u>229,050</u>
	2005	2004
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	<u>14,641,173</u>	<u>6,335,650</u>
- Financial institutions	<u>874,498</u>	<u>120,549</u>
	15,515,671	6,456,199
On investments in		
- Available for sale securities	<u>2,554,113</u>	<u>1,407,778</u>
- Held for trading securities	<u>763</u>	<u>-</u>
- Held to maturity securities	<u>1,271,105</u>	<u>1,426,193</u>
- Associates	<u>25,694</u>	<u>18,344</u>
	3,851,675	2,852,315
On deposits with financial institutions	205,887	18,457
On securities purchased under resale agreements	1,103,566	311,627
Discount income	<u>10,574</u>	<u>21,965</u>
	<u>20,687,373</u>	<u>9,660,563</u>
26. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	5,105,843	1,510,998
On securities sold under repurchase agreements	295,952	107,041
On other short - term borrowings	699,743	142,388
On long - term borrowings	24,088	52
Discount expense	<u>30,440</u>	<u>39,998</u>
	<u>6,156,066</u>	<u>1,800,477</u>
27. DIVIDEND INCOME / GAIN ON SALE OF INVESTMENTS		
Dividend income	172,375	155,215
Gain on sale of investments	<u>381,136</u>	<u>947,945</u>
	<u>553,511</u>	<u>1,103,160</u>
28. OTHER INCOME		
Charges recovered from customers	1,088,465	996,063
Rent on properties	115,681	81,181
Liabilities no longer required written back	25,000	-
Net gain on sale of fixed assets	13,246	25,930
Others	<u>23,836</u>	<u>-</u>
	<u>1,266,228</u>	<u>1,103,174</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

	Note	2005 (Rupees in '000)	2004
29. ADMINISTRATIVE EXPENSES			
Personnel Cost			
Salaries, allowances etc.		4,073,218	3,609,436
Charge for compensated absences		140,589	546,216
Medical expenses		233,424	220,025
Contribution to defined contribution plan		95,520	74,463
(Reversal) / Charge for defined benefit obligations		(101,279)	50,986
		4,441,472	4,501,126
Premises Cost			
Rent, taxes, insurance, electricity etc.		722,331	634,282
Depreciation	13.1	139,536	141,872
Repairs and maintenance		32,246	50,038
		894,113	826,192
Other Operating Cost			
Outsourced service charges including sales commission		627,551	145,470
Communications		406,081	322,674
Advertisement and publicity		364,975	227,234
Depreciation	13.1	316,182	299,896
Stationery and printing		204,714	130,743
Banking service charge		154,697	84,911
Legal and professional charges		147,188	107,368
Cash transportation charges		120,493	75,878
Travelling		91,334	84,566
Repairs and maintenance		96,272	67,983
Donations	29.1	63,361	-
Vehicle expenses		56,305	31,716
Office running expenses		49,064	37,104
Entertainment		49,253	35,407
Cartage, freight and conveyance		37,105	29,507
Training and seminar		36,802	19,293
Auditors' remuneration	29.2	36,591	36,060
Amortization of intangible assets	13.2	23,731	5,152
Subscriptions		19,938	15,366
Brokerage expenses		15,366	14,760
Computer expenses		32,550	37,051
Sub-ordinated debt issuance costs		1,909	62,509
Non-executive directors' fee and allowances		5,284	5
Finance charges on leased assets		233	2,966
New product cost		2,165	2,615
Miscellaneous expenses		122,743	142,119
		3,081,887	2,018,353
		8,417,472	7,345,671

29.1 During the year, United Bank Limited has contributed Rs 63.361 million towards the President's Relief Fund for earthquake victims. Donations were not made to any donee in which the Bank or a director or his spouse had any interest.

29.2 Auditors' remuneration

	2005			2004		
	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total
	----- (Rupees in '000) -----					
Audit fee	4,730	4,730	9,460	3,670	3,670	7,340
Fee for audit of KEPZ branch	56		56	56	-	56
Special certifications and sundry advisory services	725	725	1,450	574	630	1,204
Out of pocket expenses	1,677	1,676	3,353	1,635	1,635	3,270
Fee for the audit of overseas branches and subsidiaries of United Bank Limited	-	-	22,272	-	-	24,190
	7,188	7,131	36,591	5,935	5,935	36,060

KPMG Taseer Hadi & Co

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
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	Note	2005 (Rupees in '000)	2004
30. OTHER PROVISIONS / WRITE OFFS / REVERSALS			
Provision / (reversal) against other assets - net	12.1	87,998	(47,504)
Provision / (reversal) against off balance sheet obligations	21.2	239,171	-
Other provisions / write offs		8,699	3,135
		<u>335,868</u>	<u>(44,369)</u>

31. OTHER CHARGES			
Penalties		<u>7,066</u>	<u>10,456</u>

	2005			
	Overseas	Azad Kashmir	Domestic	Total
	------(Rupees in '000)-----			
Current tax	261,940	223,366	19,849	505,155
Prior year tax	8,043	71,025	736	79,804
Deferred tax	617,100	188,634	2,149,711	2,955,445
	<u>887,083</u>	<u>483,025</u>	<u>2,170,296</u>	<u>3,540,404</u>

	2004			
	Overseas	Azad Kashmir	Domestic	Total
	------(Rupees in '000)-----			
Current tax	190,300	46,547	51,025	287,872
Prior year tax	25,009	256,351	-	281,360
Deferred tax	152,197	16,051	451,652	619,900
	<u>367,506</u>	<u>318,949</u>	<u>502,677</u>	<u>1,189,132</u>

	2005 (Rupees in '000)	2004
32.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	<u>9,708,666</u>	<u>5,009,803</u>
Tax on income @ 38 % (2004: 41%)	3,689,293	2,054,019
Tax effect of items that are not included in determining taxable profit	(20,079)	(78,205)
Tax effect of income exempt from tax	(4,986)	-
Deferred tax asset recognized on assessed losses / temporary differences (net of reversal)	(679,067)	(1,237,134)
Reversal of deferred tax liability on incremental depreciation	(3,876)	(4,182)
Tax charge of overseas branches	479,315	169,433
Prior year tax charge	79,804	285,201
Tax charge	<u>3,540,404</u>	<u>1,189,132</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
 DECEMBER 31, 2005**

	2005	2004
	(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE		
Profit after taxation for the year attributable to the shareholders of the holding company	<u>6,077,704</u>	<u>3,776,794</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>518,000,000</u>	<u>518,000,000</u>
	(Rupees)	
Basic and diluted earnings per share	<u>11.73</u>	<u>7.29</u>
	2005	2004
	(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	34,143,128	23,945,146
Balances with other banks	<u>18,688,683</u>	<u>24,174,064</u>
	<u>52,831,811</u>	<u>48,119,210</u>
35. STAFF STRENGTH		
	(Number)	
Total number of employees at the end of the year	<u>9,425</u>	<u>9,271</u>

36. EMPLOYEE BENEFITS
36.1 United Bank Limited
36.1.1 Defined Benefit Plans - General description

United Bank Limited operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and those employees who have not opted for the pension scheme. Further, the Bank also operates a contributory benevolent fund scheme and provides post retirement medical to eligible retired employees. The benevolent fund plan and post retirement medical plan cover all the regular employees of the Bank.

A portion of actuarial gains and losses is recognized over the expected average remaining working lives of employees if the net cumulative unrecognized actuarial gains and losses at the end of previous reporting period exceed the "corridor" defined as greater of:

- (a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets), and
- (b) 10% of the fair values of any plan assets at that date.

These limits are calculated and applied separately for each defined benefit scheme.

36.1.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2005. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the defined benefit plans:

Discount rate	9%
Expected rate of return on plan assets	9%
Expected rate of salary increase	9%
Expected rate of pension increase	4%

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**
36.1.3 Reconciliation of (receivable from) / payable to defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Present value of defined benefit obligations	4,184,487	381,983	665,686	1,263,750	4,027,184	292,738	719,317	1,256,633
Fair value of any plan assets	(6,349,249)	(345,484)	(773,365)	-	(6,496,932)	(278,261)	(698,839)	-
Net actuarial gains or (losses) not recognized	1,818,703	(39,872)	98,124	(109,350)	2,084,894	(15,786)	(21,090)	(179,759)
(Receivable) / payable	<u>(346,059)</u>	<u>(3,373)</u>	<u>(9,555)</u>	<u>1,154,400</u>	<u>(384,854)</u>	<u>(1,309)</u>	<u>(612)</u>	<u>1,076,874</u>

36.1.4 Movement in (receivable) / payable to defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Opening balance	(384,854)	(1,309)	(612)	1,076,874	(150,413)	(47,267)	(1,700)	872,331
Charge/ (reversal) for the year	(309,773)	38,376	9,442	125,269	(278,527)	20,958	30,081	247,663
Contribution to / (refund from) fund made during the year	360,000	(40,440)	(9,929)	-	44,086	25,000	(28,993)	-
Benefits paid	(11,432)	-	(8,456)	(47,743)	-	-	-	(43,120)
Closing balance	<u>(346,059)</u>	<u>(3,373)</u>	<u>(9,555)</u>	<u>1,154,400</u>	<u>(384,854)</u>	<u>(1,309)</u>	<u>(612)</u>	<u>1,076,874</u>

36.1.5 Charge for defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Current service cost	21,416	40,895	18,345	19,922	39,206	28,173	15,877	17,860
Interest cost	322,175	23,419	57,545	100,531	201,819	16,771	34,962	63,890
Expected return on plan asset	(523,293)	(25,938)	(55,907)	-	(349,266)	(23,145)	(36,440)	-
Actuarial (gains) and losses	(130,071)	-	-	4,816	(170,286)	(841)	-	-
Amortization of transitional obligations	-	-	-	-	-	-	24,882	165,913
Employees' contribution	-	-	(10,541)	-	-	-	(9,200)	-
	<u>(309,773)</u>	<u>38,376</u>	<u>9,442</u>	<u>125,269</u>	<u>(278,527)</u>	<u>20,958</u>	<u>30,081</u>	<u>247,663</u>

36.1.6 Actual return on plan assets

Among the defined benefit plans, currently the pension, gratuity and benevolent fund plans are funded. The actual return earned on the assets during the year 2005 are:

Pension fund	Rs. 329 million
Benevolent fund	Rs. 53 million
Gratuity fund	Rs. 110 million

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**
36.2 United National Bank Limited Pension and Life assurance scheme for U.K Employees.

As part of the share holder agreement (" The agreement") signed on November 9, 2001 between UNBL and the share holders of United Bank Limited and National Bank of Pakistan, it was agreed that the UNBL may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("The Scheme") with effect from the completion of transfer of the businesses (November 19, 2001) ("The Completion Date"). The scheme provides benefits based on final pensionable salary.

Under the terms of the Agreement, the company is responsible for the funding requirements of the active members whose employment were transferred to the UNBL on the completion date and for any new members admitted to the scheme after this date. United Bank Limited remains responsible for the funding of pensioners and deferred members as at the completion date.

No new members have been admitted to the scheme in the year ended December 31, 2005.

The last full actuarial valuation of the scheme was carried at January 1, 2005 and has been updated to December 31, 2005 by a qualified actuary on the basis of triennial valuations using Projected Unit Credit Method. The major assumptions used by the actuary were as follows:

	2005	2004
	Percentage	
- Rate of increase in salaries	4.25	4.25
- Rate of increase of pension	2.75 - 3.00	2.75 - 3.00
- Rate of revaluation of pension in deferment	5.00	5.00
- Discount rate	4.75	5.50
- Price inflation	2.75	2.75

The assets and liabilities of the scheme noted below relate to those employees for whom the UNBL has a funding liability. The combined assets in the scheme and the expected rate of return were:

	2005		2004	
	Percentage	(Rupees '000)	Percentage	(Rupees '000)
Other - insurance policy	4.75	<u>296,992</u>	5.50	<u>252,481</u>
Total market value of assets		296,992		252,481
Actuarial value of liability		(294,523)		(245,267)
Net pension asset		<u><u>2,469</u></u>		<u><u>7,214</u></u>

The asset value supplied by the insurance company for 2005 is on an ongoing basis. If the policy had been surrendered at December 31, 2005 the surrender value would have been Rs. 270.657 million. It is not the UNBL's intention to surrender the policy.

36.3 UBL Fund Managers Limited

The scheme provides for terminal benefits for all its eligible employees who attend the minimum qualifying period of three years. Annual charge is based on actuarial valuation carried out as at December 31, 2005 using the Projected Unit Credit Method.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
36.3.1 Principal actuarial assumptions		
The key assumptions used for actuarial valuations were as follows:		
Discount rate	9%	-
Expected rate of return on plan assets	9%	-
Expected rate of salary increase	9%	-
Average expected remaining working lives	32.53 years	-
36.3.2 Reconciliation of payable to defined benefit plan	(Rupees in 000)	
Present value of defined benefit obligations	459	-
Fair value of plan assets	-	-
Unrecognised actuarial gains / (losses)	-	-
Unrecognised past service cost	-	-
	<u>459</u>	<u>-</u>
36.3.3 Movement in payable to defined benefit plan		
Charge for the year	459	-
Contribution to the fund during the year	-	-
	<u>459</u>	<u>-</u>
36.3.4 Charge for the year		
Current service cost	371	-
Interest cost	23	-
Expected return on plan assets	-	-
Recognition of transitional liability	65	-
	<u>459</u>	<u>-</u>

Since the scheme was formalised during the year, accordingly comparative figures are not given.

37. OTHER EMPLOYEE BENEFITS
37.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 5,294 (2004: 5,294) employees who are not in the pension scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month.

37.2 Employee compensated absences

The liability of the Bank in respect of long-term employee compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit Method. The liability of the bank as per the latest actuarial valuation carried out as at December 31, 2005 amounted to Rs. 1,037.50 million which has been fully provided by the bank. The charge for the year in respect of these absences amounted to Rs.129.638 million which is shown in note 29 to these financial statements.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
38. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	----- (Rupees in '000) -----					
Fees	-	-	40	5	-	-
Managerial remuneration	19,604	12,667	-	-	276,608	143,699
Charge for defined benefit plan	524	528	-	-	9,247	5,431
Contribution to defined contribution plan	903	1,056	-	-	15,782	11,025
Rent and house maintenance	1,970	1,266	-	-	85,224	58,655
Utilities	346	664	-	-	18,939	17,157
Medical	33	656	-	-	18,939	13,012
Reimbursement of children's education fees	43	128	-	-	-	-
Vehicle running, maintenance and others	639	471	-	-	12,634	17,569
	<u>24,062</u>	<u>17,436</u>	<u>40</u>	<u>5</u>	<u>437,373</u>	<u>266,548</u>
Number of persons	<u>1</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>207</u>	<u>158</u>

The Chief Executive and certain executives are provided with free use of the bank's maintained cars and household equipments.

The particulars in this note do not include, particulars of Chief Executive and Executives employed by subsidiaries.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
39 MATURITIES OF ASSETS AND LIABILITIES
39.1 Based on contractual maturity of the assets and liabilities of the Group

	2005				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
(Rupees in '000)					
Assets					
Cash and balances with treasury banks	34,143,128	34,143,128	-	-	-
Balances with other banks	18,688,683	18,173,406	146,634	51,932	316,711
Lending to financial institutions	17,867,552	11,936,288	1,330,456	4,600,808	-
Investments	61,558,826	5,733,823	29,356,994	19,578,329	6,889,680
Advances - Performing	206,296,460	90,535,065	42,279,796	49,871,190	23,610,409
- Non Performing	3,856,169	-	-	-	3,856,169
Other assets	7,932,696	7,241,961	1,835	1,163	687,737
Fixed assets	5,439,818	1,123,762	326,942	1,593,355	2,395,759
Deferred tax assets	2,272,814	394,065	1,182,002	193,610	503,137
	<u>358,056,146</u>	<u>169,281,498</u>	<u>74,624,659</u>	<u>75,890,387</u>	<u>38,259,602</u>
Liabilities					
Bills payable	4,181,026	4,181,026	-	-	-
Borrowings from financial institutions	22,751,015	20,310,549	2,440,466	-	-
Deposits and other accounts	296,499,113	259,411,038	16,350,391	10,962,615	9,775,069
Subordinated loan	3,999,192	414	414	3,312	3,995,052
Liabilities against assets subject to finance lease	4,345	-	760	3,585	-
Other liabilities	6,347,853	3,229,883	317,064	460,721	2,340,185
	<u>333,782,544</u>	<u>287,132,910</u>	<u>19,109,095</u>	<u>11,430,233</u>	<u>16,110,306</u>
Net assets	<u>24,273,602</u>	<u>(117,851,412)</u>	<u>55,515,564</u>	<u>64,460,154</u>	<u>22,149,296</u>
Represented by:					
Share capital	5,180,000				
Reserves	6,820,234				
Unappropriated profit	7,790,148				
Minority interest	1,561,005				
Surplus on revaluation of assets	2,922,215				
	<u>24,273,602</u>				

The above mentioned maturity profile has been prepared in accordance with IAS 30: Disclosures in the financial statements of banks and similar financial institutions based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of current and savings deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The maturity profile disclosed in note 39.2 that includes maturities of current and saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Group.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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39.2 Based on working prepared by the Asset and Liability Management Committee (ALCO) of United Bank Limited.

	----- 2005 -----				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
----- (Rupees in '000) -----					
Assets					
Cash and balances with treasury banks	34,143,128	18,947,495	4,489,362	3,539,660	7,166,611
Balances with other banks	18,688,683	18,173,406	146,634	51,932	316,711
Lending to financial institutions	17,867,552	11,936,288	1,330,456	4,600,808	-
Investments	61,558,826	6,570,677	27,713,404	17,616,007	9,658,738
Advances - Performing	206,296,460	90,535,065	42,279,796	49,871,190	23,610,409
- Non Performing	3,856,169	-	-	-	3,856,169
Other assets	7,932,696	2,332,706	4,569,272	1,163	1,029,555
Fixed assets	5,439,818	976,847	-	-	4,462,971
Deferred tax assets - net	2,272,814	-	1,022,661	1,250,153	-
	<u>358,056,146</u>	<u>149,472,484</u>	<u>81,551,585</u>	<u>76,930,913</u>	<u>50,101,164</u>
Liabilities					
Bills payable	4,181,026	4,181,026	-	-	-
Borrowings from financial institutions	22,751,015	20,310,549	2,440,466	-	-
Deposits and other accounts	296,499,113	98,856,562	60,825,081	45,488,566	91,328,904
Subordinated loan	3,999,192	414	414	3,312	3,995,052
Liabilities against assets subject to finance lease	4,345	-	760	3,585	-
Other liabilities	6,347,853	2,476,529	202,884	-	3,668,440
	<u>333,782,544</u>	<u>125,825,080</u>	<u>63,469,605</u>	<u>45,495,463</u>	<u>98,992,396</u>
Net assets	<u>24,273,602</u>	<u>23,647,404</u>	<u>18,081,980</u>	<u>31,435,450</u>	<u>(48,891,232)</u>
Represented by:					
Share capital	5,180,000				
Reserves	6,820,234				
Unappropriated profit	7,790,148				
Minority interest	1,561,005				
Surplus on revaluation of assets	2,922,215				
	<u>24,273,602</u>				

Current and savings deposits do not have any contractual maturity therefore, current deposits and savings accounts have been classified between all four maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	----- 2004 -----				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
----- (Rupees in '000) -----					
Assets					
Cash and balances with treasury banks	23,945,146	23,945,146	-	-	-
Balances with other banks	24,174,064	23,455,792	686,959	31,313	-
Lending to financial institutions	18,360,633	9,887,955	8,472,678	-	-
Investments	52,707,729	19,190,995	4,893,193	19,162,066	9,461,475
Advances - Performing	143,531,140	33,152,471	58,046,436	24,413,023	27,919,210
- Non Performing net of provision	4,693,940	-	-	4,481,615	212,325
Other assets	4,537,140	3,578,552	957,820	338	430
Fixed assets	5,103,654	101,669	305,071	1,211,583	3,485,331
Deferred tax assets	5,194,892	512,749	1,579,295	3,163,545	(60,697)
	<u>282,248,338</u>	<u>113,825,329</u>	<u>74,941,452</u>	<u>52,463,483</u>	<u>41,018,074</u>
Liabilities					
Bills payable	3,835,555	3,073,298	762,257	-	-
Borrowings from financial institutions	12,637,036	6,638,787	5,998,249	-	-
Deposits and other accounts	237,054,440	39,628,747	28,504,265	20,767,543	148,153,885
Subordinated loan	3,500,000	-	798	3,312	3,495,890
Liabilities against assets subject to finance lease	3,306	448	369	2,489	-
Other liabilities	5,838,940	3,282,811	106,440	897,076	1,552,613
	<u>262,869,277</u>	<u>52,624,091</u>	<u>35,372,378</u>	<u>21,670,420</u>	<u>153,202,388</u>
Net assets	<u>19,379,061</u>	<u>61,201,238</u>	<u>39,569,074</u>	<u>30,793,063</u>	<u>(112,184,314)</u>
Represented by:					
Share capital	5,180,000				
Reserves	5,980,448				
Unappropriated profit	3,585,102				
Minority interest	1,633,352				
Surplus on revaluation of assets	3,000,159				
	<u>19,379,061</u>				

Current and savings deposits do not have any contractual maturity therefore, current deposits and savings deposits have been classified between all four maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
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40. YIELD / INTEREST RATE RISK

Yield / Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

----- 2005 -----							
Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk				Not exposed to yield/ interest risk	
		Upto three months	3 months to one year	Over one year to five years	Over five years		
%	----- (Rupees in '000) -----						
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	2.9	34,143,128	8,655,180	-	-	-	25,487,948
Balances with other banks	8.0 to 4.14	18,688,683	13,009,745	146,634	51,932	-	5,480,372
Lending to financial institutions	6.5	17,867,552	11,936,288	1,330,456	4,600,808	-	-
Investments	5.8	61,558,825	3,456,876	28,271,047	19,755,501	7,537,732	2,537,669
Advances - Performing	15.0 to 8.5	206,296,460	130,892,664	61,314,713	14,089,083	-	-
- Non Performing	-	3,856,169	-	-	-	-	3,856,169
Other assets	-	7,547,598	15,741	-	-	-	7,531,857
		<u>349,958,415</u>	<u>167,966,494</u>	<u>91,062,850</u>	<u>38,497,324</u>	<u>7,537,732</u>	<u>44,894,015</u>
Liabilities							
Bills payable	-	4,181,026	-	-	-	-	4,181,026
Borrowings from financial institutions	3.54 to 8.3	22,751,015	20,310,548	2,440,467	-	-	-
Deposits	1.0 to 2.0	296,499,113	112,962,777	59,288,220	26,093,546	7,984,169	90,170,401
Subordinated loans	9.1	3,999,192	414	414	3,312	3,995,052	-
Liabilities against assets subject to finance lease	11.5 to 14.0	4,345	-	760	3,585	-	-
Other liabilities	-	2,845,273	-	-	-	-	2,845,273
		<u>330,279,964</u>	<u>133,273,739</u>	<u>61,729,861</u>	<u>26,100,443</u>	<u>11,979,221</u>	<u>97,196,700</u>
On-balance sheet gap		<u>19,678,451</u>	<u>34,692,755</u>	<u>29,332,989</u>	<u>12,396,881</u>	<u>(4,441,489)</u>	<u>(52,302,685)</u>
Off-balance sheet financial instruments							
Foreign currency forward purchases		38,156,440	35,429,858	2,726,582	-	-	-
Foreign currency forward sales		(42,020,795)	(33,766,017)	(8,254,778)	-	-	-
Interest rate swaps		7,826,415	-	-	7,476,415	350,000	-
Equity futures		43,765	-	-	-	-	43,765
Off-balance sheet gap		<u>4,005,825</u>	<u>1,663,841</u>	<u>(5,528,196)</u>	<u>7,476,415</u>	<u>350,000</u>	<u>43,765</u>
Total Yield/Interest Risk Sensitivity Gap			<u>36,356,596</u>	<u>23,804,793</u>	<u>19,873,296</u>	<u>(4,091,489)</u>	<u>(52,258,920)</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>36,356,596</u>	<u>60,161,389</u>	<u>80,034,685</u>	<u>75,943,196</u>	<u>23,684,276</u>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
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----- 2004 -----							
Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk				Not exposed to yield/ interest risk	
		Upto three months	3 months to one year	Over one year to five years	Over five years		
%	----- (Rupees in '000) -----						
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	0.01	23,945,146	1,216,129	1,776	-	-	22,727,241
Balances with other banks	1.84-3.99	24,174,069	21,420,702	686,910	31,306	-	2,035,151
Lending to financial institutions	2.12	18,360,633	9,887,955	8,472,678	-	-	-
Investments	6.69	52,707,729	19,191,014	4,893,181	18,277,948	9,461,770	883,816
Advances - Performing	4.63-4.97	143,531,140	35,268,241	57,416,754	23,406,128	27,439,225	792
- Non Performing	-	4,693,940	-	-	-	-	4,693,940
Other assets	-	3,053,997	9,826	-	-	-	3,044,171
		<u>270,466,654</u>	<u>86,993,867</u>	<u>71,471,299</u>	<u>41,715,382</u>	<u>36,900,995</u>	<u>33,385,111</u>
Liabilities							
Bills payable	-	3,835,555	3,049,027	762,257	-	-	24,271
Borrowings from financial institutions	1.89 - 1.93	12,637,036	6,383,002	5,998,249	-	-	255,785
Deposits	0.76 - 1.24	237,054,440	35,467,090	27,160,268	18,976,427	86,272,267	69,178,388
Subordinated loans	8.93	3,500,000	-	798	3,312	3,495,890	-
Liabilities against assets subject to finance lease	12-13.5	3,306	447	369	2,490	-	-
Other liabilities	-	1,817,709	18,900	-	-	-	1,798,809
		<u>258,848,046</u>	<u>44,918,466</u>	<u>33,921,941</u>	<u>18,982,229</u>	<u>89,768,157</u>	<u>71,257,253</u>
On-balance sheet gap		<u>11,618,608</u>	<u>42,075,401</u>	<u>37,549,358</u>	<u>22,733,153</u>	<u>(52,867,162)</u>	<u>(37,872,142)</u>
Off-balance sheet financial instruments							
Foreign currency forward purchases		21,497,190	18,770,608	2,726,582	-	-	-
Foreign currency forward sales		(24,663,126)	(16,408,348)	(8,254,778)	-	-	-
Interest rate swaps		2,840,000	-	-	2,840,000	-	-
Equity futures		122,864	-	-	-	-	122,864
Off-balance sheet gap		<u>(203,072)</u>	<u>2,362,260</u>	<u>(5,528,196)</u>	<u>2,840,000</u>	<u>-</u>	<u>122,864</u>
Total Yield/Interest Risk Sensitivity Gap			<u>44,437,661</u>	<u>32,021,162</u>	<u>25,573,153</u>	<u>(52,867,162)</u>	<u>(37,749,278)</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>44,437,661</u>	<u>76,458,823</u>	<u>102,031,976</u>	<u>49,164,814</u>	<u>11,415,536</u>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
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41. CURRENCY RISK

	2005			
	Assets	Liabilities	Off balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	286,445,709	261,172,230	(4,078,046)	21,195,433
US Dollar	22,223,856	27,449,654	3,495,891	(1,729,907)
Pound Sterling	13,894,228	10,347,411	(1,059,992)	2,486,825
Euro	2,283,430	1,703,452	732,524	1,312,502
Japanese Yen	465,145	1,952	488,031	951,224
Other Currencies	32,743,778	33,107,845	421,592	57,525
	<u>358,056,146</u>	<u>333,782,544</u>	<u>-</u>	<u>24,273,602</u>
	2004			
	Assets	Liabilities	Off balance sheet items	Net foreign currency exposure
(Rupees in '000)				
Pakistan Rupee	219,272,399	203,364,342	3,049,541	18,957,598
US Dollar	33,348,305	26,546,911	(2,110,022)	4,691,372
Pound Sterling	9,020,426	5,188,754	24,773	3,856,445
Euro	1,245,377	1,295,850	339,345	288,872
Japanese Yen	322,594	13	(320,224)	2,357
Other Currencies	19,039,237	26,473,407	(983,413)	(8,417,583)
	<u>282,248,338</u>	<u>262,869,277</u>	<u>-</u>	<u>19,379,061</u>

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign exchange rates. In order to avoid losses arising from adverse movements in the rate of exchange, the Group monitors compliance with all external and internal limits (including currency, dealer and counter party limits), review of foreign exchange exposure and regular revaluation of the entire portfolio.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loan, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 6.4 of these consolidated financial statements.

The maturity and repricing profile and effective rates are stated in notes 39 and 40 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

43. CONCENTRATION OF CREDIT AND DEPOSITS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
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Concentration of credit risk

Out of the total financial assets of Rs. 349,958 million (2004: Rs. 270,467 million), the financial assets which were subject to credit risk amounted to Rs. 279.073 million (2004: Rs. 199,581 million). The Group's major credit risk is concentrated in textile sector. To manage credit risk, the Group applies credit limits to its customers and obtains adequate collaterals.

Risk management

The Group is primarily subject to interest rate, credit and currency risks. The policies and procedures for managing these risks are outlined in the notes below. The Group has designed and implemented a framework of controls to identify, monitor and manage these risks which are as follows:

Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The risks are inherent on deposits, liabilities, loans/advances and investments of the Group.

The Assets and Liabilities Committee of the United Bank Limited regularly reviews the total portfolio of the Group that risks are minimized and remain within acceptable limits.

Most of the loans and advances comprise of working capital which are repriced on a periodical basis, whereas the majority of deposits are repriced retrospectively on a six monthly basis due to the profit and loss sharing system for determining deposit rates.

Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk in the Group's portfolio is monitored, reviewed and analyzed by the Credit Risk Management (CRM).

CRM determines the quality of the credit portfolio and assists in minimizing potential losses. To achieve this objective, CRM formulates appropriate credit policies and procedures for the Group to ensure building and maintaining quality credits and an efficient credit process.

United Bank Limited has established Financial Institution Risk Management Unit (FIRMU) is established to screen out the Banks / Financial Institutions and determine the maximum risk exposure on each of them. FIRMU also assesses, recommends and controls cross border/ country risk.

To manage the non performing loans (NPLs), the Group has in place comprehensive remedial management policy which includes a framework of controls to identify weak credits and monitoring of these accounts.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
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44. SEGMENT BY CLASS OF BUSINESS

	2005					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in	Percent	(Rupees in	Percent	(Rupees in	Percent
Chemical and pharmaceuticals	4,519,197	2.01%	2,068,372	0.70%	1,858,752	0.87%
Agri business	7,267,123	3.23%	16,148,663	5.45%	1,987,455	0.93%
Textile spinning	20,800,926	9.25%	932,308	0.31%	1,541,572	0.72%
Textile weaving	10,129,530	4.50%	431,727	0.15%	240,840	0.11%
Textile composite	15,323,544	6.81%	793,144	0.27%	1,018,389	0.48%
Textile others	9,084,995	4.04%	1,199,851	0.40%	1,706,837	0.80%
Cement	5,605,446	2.49%	1,388,644	0.47%	727,334	0.34%
Sugar	4,926,779	2.19%	1,003,565	0.34%	19,228	0.01%
Shoes and leather garments	2,959,030	1.32%	1,419,547	0.48%	263,218	0.12%
Automobile and transportation equipment	17,238,727	7.67%	2,387,889	0.81%	2,359,732	1.11%
Financial	5,969,969	2.65%	5,917,150	2.00%	92,098,322	43.29%
Insurance	54,447	0.02%	7,949,837	2.68%	32,989	0.02%
Electronics and electrical appliances	2,712,010	1.21%	1,937,391	0.65%	494,506	0.23%
Production and transmission of energy	2,975,521	1.32%	15,389,571	5.19%	4,786,428	2.25%
Contractors	1,679,640	0.75%	6,400,646	2.16%	3,175,151	1.49%
Wholesale traders	15,493,758	6.89%	15,744,320	5.31%	3,885,616	1.83%
Paper and allied	1,232,621	0.55%	880,748	0.30%	316,211	0.15%
Surgical and metal	1,976,967	0.88%	342,919	0.12%	342,823	0.16%
Sports goods	632,811	0.28%	206,891	0.07%	-	0.00%
Cables	450,100	0.20%	43,088	0.01%	343,944	0.16%
Fertilizer dealers	906,756	0.40%	4,121,160	1.39%	69,540	0.03%
Food industries	3,955,460	1.76%	1,657,190	0.56%	392,343	0.18%
Airlines	1,373,927	0.61%	1,072,230	0.36%	385	0.00%
Constructions	13,760,142	6.12%	5,124,897	1.73%	416,141	0.20%
Containers and ports	300,000	0.13%	22,603	0.01%	500	0.00%
Engineering	288,433	0.13%	3,384,066	1.14%	4,954,642	2.33%
Glass and allied	35,712	0.02%	96,059	0.03%	19,009	0.01%
Hotels	571,470	0.25%	1,071,395	0.36%	2,631,880	1.24%
Infrastructure	2,053,845	0.91%	2,175,662	0.73%	38,406	0.02%
Media	458,746	0.20%	658,451	0.22%	90,208	0.04%
Polyester and fibre	-	0.00%	62,952	0.02%	306,152	0.14%
Telecom	5,818,502	2.59%	879,751	0.30%	3,642,497	1.71%
Individuals	23,737,311	10.56%	162,069,603	54.66%	8,740,841	4.11%
Others	40,589,544	18.05%	31,516,823	10.63%	74,258,720	34.90%
	<u>224,882,989</u>	<u>100%</u>	<u>296,499,113</u>	<u>100%</u>	<u>212,760,611</u>	<u>100%</u>

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	2004					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in	Percent	(Rupees in	Percent	(Rupees in	Percent
Chemical and pharmaceuticals	4,655,294	2.83%	1,998,122	0.84%	1,802,232	1.36%
Agri business	8,790,381	5.35%	16,306,589	6.88%	2,533,997	1.91%
Textile spinning	16,108,993	9.80%	579,139	0.24%	3,652,603	2.76%
Textile weaving	9,419,083	5.73%	504,250	0.21%	384,352	0.29%
Textile composite	13,054,127	7.94%	890,148	0.38%	1,150,750	0.87%
Textile others	1,328,611	0.81%	470,700	0.20%	895,279	0.68%
Cement	3,278,768	1.99%	763,921	0.32%	1,445,514	1.09%
Sugar	2,951,155	1.80%	778,133	0.33%	11,607	0.01%
Shoes and leather garments	2,226,295	1.35%	1,750,725	0.74%	141,148	0.11%
Automobile and transportation equipment	2,107,423	1.28%	2,651,282	1.12%	2,197,816	1.66%
Financial	10,341,944	6.29%	4,920,543	2.08%	55,741,261	42.11%
Insurance	24,562	0.01%	4,295,716	1.81%	1,131,253	0.85%
Electronics and electrical appliances	2,184,419	1.33%	1,955,846	0.83%	2,894,898	2.19%
Production and transmission of energy	2,158,099	1.31%	7,739,413	3.26%	529,541	0.40%
Contractors	1,297,102	0.79%	2,637,896	1.11%	135,051	0.10%
Wholesale traders	16,577,276	10.08%	15,617,092	6.59%	6,209,347	4.69%
Fertilizer dealers	973,047	0.59%	3,041,862	1.28%	997,977	0.75%
Food industries	3,020,213	1.84%	354,566	0.15%	935,111	0.71%
Airlines	1,127,819	0.69%	2,083,266	0.88%	127,128	0.10%
Constructions	1,249,406	0.76%	1,787,598	0.75%	1,227,788	0.93%
Hotels	34,185	0.02%	-	0.00%	-	0.00%
Infrastructure	3,968,024	2.41%	1,031,024	0.43%	2,764	0.00%
Telecom	3,151,371	1.92%	1,229,979	0.52%	3,215,900	2.43%
Individuals	9,093,181	5.53%	134,935,450	56.92%	4,733,989	3.58%
Engineering	57,665	0.04%	-	0.00%	-	0.00%
Others	45,212,373	27.50%	28,731,180	12.12%	40,280,176	30.43%
	<u>164,390,816</u>	<u>100.00%</u>	<u>237,054,440</u>	<u>100.00%</u>	<u>132,377,482</u>	<u>100.00%</u>

44.1 Segment by sector

	2005					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/Government	24,473,422	10.88%	45,116,891	15.22%	52,676,704	24.76%
Private	200,409,567	89.12%	251,382,222	84.78%	160,083,907	75.24%
	<u>224,882,989</u>	<u>100%</u>	<u>296,499,113</u>	<u>100%</u>	<u>212,760,611</u>	<u>100%</u>

	2004					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/Government	26,105,942	15.88%	26,393,796	11.13%	8,519,673	6.44%
Private	138,284,874	84.12%	210,660,644	88.87%	123,857,809	93.56%
	<u>164,390,816</u>	<u>100%</u>	<u>237,054,440</u>	<u>100%</u>	<u>132,377,482</u>	<u>100%</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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45. GEOGRAPHICAL SEGMENT ANALYSIS

	2005			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
(Rupees in '000)				
Pakistan				
Domestic Operations	7,447,509	285,767,737	8,152,395	189,967,363
Asia Pacific (including South Asia)	35,099	2,475,089	57,067	125,993
	<u>7,482,608</u>	<u>288,242,826</u>	<u>8,209,462</u>	<u>190,093,356</u>
Overseas				
United States of America	167,893	1,669,054	406,213	91,734
Middle East	1,721,330	52,098,117	8,114,452	13,475,022
Europe	336,835	16,046,148	7,543,474	9,100,499
	<u>2,226,058</u>	<u>69,813,319</u>	<u>16,064,139</u>	<u>22,667,255</u>
	<u><u>9,708,666</u></u>	<u><u>358,056,145</u></u>	<u><u>24,273,601</u></u>	<u><u>212,760,611</u></u>
2004				
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
(Rupees in '000)				
Pakistan				
Domestic Operations	3,668,505	218,378,115	10,798,030	121,292,554
Asia Pacific (including South Asia)	27,659	2,267,291	17,889	43,133
	<u>3,696,164</u>	<u>220,645,406</u>	<u>10,815,919</u>	<u>121,335,687</u>
Overseas				
United States of America	65,428	3,723,753	256,706	31,363
Middle East	1,097,353	41,558,114	6,336,516	9,203,207
Europe	150,858	16,321,065	1,969,920	1,807,225
	<u>1,313,639</u>	<u>61,602,932</u>	<u>8,563,142</u>	<u>11,041,795</u>
	<u><u>5,009,803</u></u>	<u><u>282,248,338</u></u>	<u><u>19,379,061</u></u>	<u><u>132,377,482</u></u>

Total assets employed include intra group items of Rs Nil

46. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, United Bank Limited acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

47. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, (refer note 10.1), employee benefit plans (refer note 36 and 37) and its directors and executive officers (including their associates).

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Details of loans and advances to the key management personnel, the companies or firms in which the directors of the Group are interested as directors, partners or in case of private companies as members are given in note 11.6 to these financial statements.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations/ terms of the contribution plan (refer note 36 to these financial statements for the details of plans). Remuneration to the executives, disclosed in note 38 to these financial statements are determined in accordance with the terms of their appointment.

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 DECEMBER 31, 2005**

Details of transactions with related parties are given below:

	2005			2004		
	Key management personnel	Associates	Others	Key management personnel	Associates	Others
Advances						
At January 01	46,903	-	2,542,969	1,547	-	3,447,195
Given during the year	31,112	-	1,863,892	50,146	-	8,753,020
Repaid during the year	(12,127)	-	(2,588,720)	(4,790)	-	(9,657,246)
At December 31	<u>65,888</u>	-	<u>1,818,141</u>	<u>46,903</u>	-	<u>2,542,969</u>
Deposits						
At January 01	9,594	-	3,594,143	5,056	-	2,268,428
Received during the year	121,382	-	30,792,517	131,956	-	30,997,599
Withdrawn during the year	(119,255)	-	(30,064,640)	(127,418)	-	(29,671,884)
At December 31	<u>11,721</u>	-	<u>4,322,020</u>	<u>9,594</u>	-	<u>3,594,143</u>
Mark-up / return / interest earned	-	-	70,002	-	-	49,775
Mark-up / return / interest expensed	-	-	28,975	-	-	108,703
Reimbursement of liaison office expenses paid to Dubai and Abu Dhabi Group	-	-	29,789	-	-	31,535
Investment made during year	-	250,000	180,000	-	-	4,600
Dividend income received	-	-	-	-	-	-
Remuneration paid	66,750	-	-	32,652	-	-
Post Employment benefits	3,829	-	-	2,144	-	-

48. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of United Bank Limited in its meeting held on February 21, 2006 has proposed a cash dividend in respect of 2005 of Rs 2.50 per share (2004: cash dividend Rs 1.50 per share). In addition, the directors have also announced a bonus issue of 25 percent. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2005 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2006.

49. DATE OF AUTHORIZATION

These financial statements were authorised for issue on February 21, 2006 by the Board of Directors of United Bank Limited.

50. GENERAL

50.1 The following International Accounting Standards, which have been published, had been revised and the amendments are applicable to the consolidated financial statements of the Group covering accounting periods beginning on or after January 1, 2006 or later periods:

- i. International Accounting Standard - 1, Presentation of Financial Statements - Capital Disclosures (effective from January 1, 2007)
- ii. International Accounting Standard - 19, Employee Benefits (effective from January 1, 2006)

Adoption of the above amendments would impact the extent of disclosures presented in the consolidated financial statements of the Group.

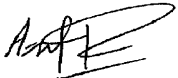
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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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50.2 Comparative figures have been reclassified and rearranged as follows:

- 'Short-term lendings to financial institutions' amounting to Rs. 2,098.129 million have been reclassified from 'advances' to 'lending to financial institutions'.
- Charges recovered from customers for faxes and mails amounting to Rs 91.602 million have been reclassified from 'communication' to 'charges recovered from customers'.
- Softwares having net book value of Rs. 37.649 million classified as 'electric, office and computer equipment' has now been reclassified to 'intangible assets'.
- 'Due from other banks against telegraphic and demand drafts', amounting to Rs. 81.288 million has been classified separately in 'other assets'.
- 'Trading liabilities' amounting to Rs. 750 million have been classified separately under the 'borrowing from financial institutions'.
- 'Mark-up / return / interest earned' amounting to Rs 120.549 million has been reclassified from 'mark-up / return / interest earned on deposits with financial institutions' to 'mark-up / return / interest earned on loans and advances'.
- 'Deferred liabilities' amounting to Rs. 2,191.180 million have been re-classified under the caption of 'other liabilities'.
- 'Taxes recoverable' amounting to Rs. 32.607 million have been re-classified under the caption of 'other assets'

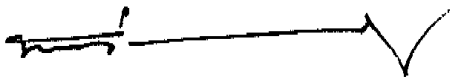
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Atif R. Bokhari
President and
Chief Executive Officer



Ahmad waqar
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman



Nanayan Mabarak Al Nanayan
Chairman